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3-10-04



SECURIT. 04004695 ISSION
Washington, D.C. 20547

AT 3/9/2004**

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden hours per response.....	12.00

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
65649

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2003 AND ENDING December 31, 2003
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: INDEX SECURITIES, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

629 Camino De Los Mares, Suite 302B

(No. and Street)

San Clemente

(City)

California

(State)

92673-2832

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Chris Petruzzi

949-661-1310

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

George Brenner, CPA A Professional Corporation

(Name - if individual, state last, first, middle name)

10680 W. Pico Boulevard, Suite 260

(Address)

Los Angeles, California

(City)

(State)

90064

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

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PROCESSED

MAR 12 2004

THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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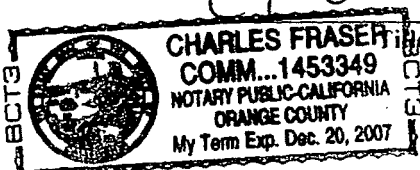
OATH OR AFFIRMATION

I, Chris Petruzzi, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Index Securities, LLC, as of December 31, 20 03, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None

Chris R. Petruzzi
Signature

CFU



[Signature]
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of **Cash Flows**.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

INDEX SECURITIES, LLC

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003

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George Brenner, CPA
A Professional Corporation
10680 W. PICO BOULEVARD, SUITE 260
LOS ANGELES, CALIFORNIA 90064
310/202-6445 – Fax 310/202-6494

REPORT OF INDEPENDENT AUDITOR

To The Members of
Index Securities, LLC
San Clemente, California

I have audited the accompanying statement of financial condition of Index Securities, LLC as of December 31, 2003 and the related statements of operations, changes in members' equity and cash flows for the period March 13, 2003 (date of NASD approval) through December 31, 2003. These financial statements are being filed pursuant to Rule 17a-5 of the Securities and Exchange Act of 1934 and include the supplemental schedule of the net capital computation required by Rule 15c3-1. These financial statements are the responsibility of Index Securities, LLC's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, such financial statements referred to above present fairly, in all material respects, the financial condition of Index Securities, LLC as of December 31, 2003 and the results of its operations, members' equity and cash flows for the period March 13, 2003 (date of NASD approval) through December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.



George Brenner, C.P.A.

Los Angeles, California
February 3, 2004

INDEX SECURITIES, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2003

ASSETS

Cash	\$142,908
Clearing broker deposit	<u>50,000</u>
	192,908
Other assets – non allowable	<u>14,312</u>
Total assets	<u>\$207,220</u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Accounts payable	\$ 150
Franchise tax payable	<u>6,800</u>
Total liabilities	<u>\$ 6,950</u>

MEMBERS' EQUITY

Capital	\$159,000
Retained earnings	<u>41,270</u>
Total members' equity	<u>200,270</u>
Total liabilities and members' equity	<u>\$207,220</u>

See Accompanying Notes to Financial Statements

INDEX SECURITIES, LLC
STATEMENT OF OPERATIONS
FOR THE PERIOD MARCH 13 THROUGH DECEMBER 31, 2003

INCOME:

Trading revenue	\$1,625,946
Interest	159
Other	<u>4,662</u>
Total income	<u>1,630,767</u>

EXPENSES:

License fees	1,563,848
Professional fees	2,592
Regulatory fees	10,534
Other	<u>1,061</u>

Total expenses	<u>1,578,035</u>
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NET LOSS BEFORE INCOME TAXES	52,732
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INCOME TAX PROVISION

Federal taxes	0
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State taxes	<u>6,800</u>
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Total tax provision	<u>6,800</u>
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NET INCOME	<u>\$ 45,932</u>
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See Accompanying Notes to Financial Statements

INDEX SECURITIES, LLC
STATEMENT OF MEMBERS' EQUITY
FOR THE PERIOD MARCH 13 THROUGH DECEMBER 31, 2003

	<u>Equity</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
Beginning Balance March 13, 2003	\$134,000	\$(4,662)	\$ 129,338
Capital Additions	25,000		25,000
Net Income for the Period		45,932	45,932
	<hr/>	<hr/>	<hr/>
Balance December 31, 2003	<u>\$159,000</u>	<u>\$ 41,270</u>	<u>\$200,270</u>

See Accompanying Notes to Financial Statements

INDEX SECURITIES, LLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD MARCH 13 THROUGH DECEMBER 31, 2003

CASH FLOW FROM OPERATING ACTIVITIES

Net Income	\$ 45,932
Adjustment to reconcile net (loss) to net cash	0
Provided by operating activities:	
Increase in other assets	(7,312)
Increase in accounts payable	150
Increase in Franchise tax payable	<u>6,800</u>
Net cash required by operations	\$ 45,570

CASH FLOW FROM INVESTMENT ACTIVITIES 0

CASH FLOW FROM FINANCING ACTIVITIES

Capital contributions	<u>25,000</u>
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NET INCREASE IN CASH 70,570

 Cash at beginning of period (March 13, 2003) 72,338

 Cash at end of period \$ 142,908

Supplemental disclosure of cash flow information

Cash paid during the period:

Interest	\$ 0
Income taxes	\$ 0

See Accompanying Notes to Financial Statements

INDEX SECURITIES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. Organization

Index, LLC (the Company or Index) was organized as a Limited Liability Company in the State of California. Index is an introducing broker dealer and does not hold customer funds or securities. Index was approved for membership in the NASD March 13, 2003.

An affiliate company, Smart Execution, LLC, was one of the money managers for Paloma Securities, a hedge fund. Smart Execution was manager for 2001 and 2002 at which time it stopped managing for Paloma. To continue trading, Smart Execution's principal owner and CEO created Index and got it approved by the NASD March 13, 2003 for agency trading. Index is 90% owned by the above referred to CEO.

The aforementioned CEO became the sole customer of Index. In July 2003 Smart Execution Securities (SMEX) was created and approved by the NASD for proprietary trading. SMEX is owned 50.01% by Smart Execution, LLC and 49.99% by Sunrise Harbor Ltd. a subsidiary of Paloma Securities.

Because Smart Execution, LLC can now use SMEX to trade its own capital, Index (operating March 13 to July 3, 2003) is now dormant but will be used in the future for investment banking.

2. Significant Accounting Policies

- A. The accompanying financial statements cover the period March 13, 2003 (date of NASD approval) through December 31, 2003. As mentioned in Note 1 "Organization", Index operated from March 13 through July 3, 2003.
- B. *Use of Estimates* - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- C. *Cash and Cash Equivalents* - The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2003 the Company had \$142,908 in a bank account. The Federal government under the Federal Insurance Deposit Act only insures deposits up to \$100,000.

3. Net Capital Requirements

At December 31, 2003 the Company had a net capital requirement of \$100,000. See page 8, for a calculation of net capital.

INDEX SECURITIES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

4. Income Taxes

The Company files its income tax returns as a Limited Liability Company (LLC). Income and losses of LLC's pass directly to the members. The State of California requires LLC's to pay a minimum \$800 plus a percent of its revenue computed on an ascending scale (\$6,000).

5. Related Party Transactions

Index (90% owned by its CEO) was Index's sole customer during the operating period March 13 through July 3, 2003.

During this period Index Securities, LLC used software from Smart Execution, LLC for the trading of its one customer account (Index's CEO)

A license arrangement for software required that Index Securities, LLC pay to Smart Execution, LLC all of the rebates which it received from the Electronic Crossing Network (ECN) and/or exchanges on which it traded, net of the clearing and other incremental costs for Index. This resulted in license fees of \$1,563,848.

INDEX SECURITIES, LLC
NET CAPITAL COMPUTATION
PURSUANT TO SEC RULE 15c3-1
DECEMBER 31, 2003

TOTAL ASSETS	\$ 207,220
DEDUCT TOTAL LIABILITIES	(6,950)
OWNERSHIP EQUITY	200,270
ADD SUBORDINATED LIABILITIES	<u> --</u>
TOTAL CAPITAL AND SUBORDINATED LIABILITIES	200,270
DEDUCT TOTAL NONALLOWABLE ASSETS	<u>(14,312)</u>
NET CAPITAL BEFORE HAIRCUTS	185,958
HAIRCUTS ON SECURITIES	<u> --</u>
NET CAPITAL	185,958
DEDUCT NET CAPITAL REQUIREMENT	<u>(100,000)</u>
EXCESS NET CAPITAL	<u>85,958</u>
AGGREGATED INDEBTEDNESS	6,950
RATIO AGGREGATE INDEBTEDNESS TO NET CAPITAL	0.4%

RECONCILIATION

NET CAPITAL – UNAUDITED	\$ 195,351
OUTSTANDING CHECK	(2,593)
FRANCHISE TAX PAYABLE	<u>(6,800)</u>
NET CAPITAL – AUDITED	<u>\$ 185,958</u>

See Accompanying Notes to Financial Statements

PART II

INDEX SECURITIES, LLC

STATEMENT OF INTERNAL CONTROL

DECEMBER 31, 2003

George Brenner, CPA
A Professional Corporation
10680 W. PICO BOULEVARD, SUITE 260
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REPORT OF INDEPENDENT AUDITOR
ON INTERNAL ACCOUNTING CONTROL REQUIRED BY CFTC
REGULATION 1.16

To The Members of
Index Securities, LLC
San Clemente, California

In planning and performing my audit of the financial statements of Index Securities, LLC (the "Company") for the period March 13, 2003 through December 31, 2003, I considered its internal control structure, including procedures for safeguarding customer and firm assets, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practice and procedures (including tests of compliance with such practices and procedures) followed by the Company that I considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. I did not review the practices and procedures followed by the Company: (1) in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; (2) in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System; or (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices procedures are to provide responsibility and safeguard against loss from unauthorized use or disposition, and that transactions are executed in accord to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from

unauthorized use of disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Rule 17a-5(g) lists additional objectives of the practice and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under the standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relationship to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the accounting system and control procedures that I consider to be material weaknesses as defined above. In addition, the Company was in compliance with the exemptive provisions of Rule 15c3-3 as of December 31, 2003 and no facts came to my attention indicating that such conditions had not be complied with during the year then ended.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2003 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934, and should not be used for any other purpose.

A handwritten signature in black ink, appearing to read "George Brenner", with a stylized, cursive script.

George Brenner, CPA
Los Angeles, California
February 3, 2004